EXHIBIT 8

Completed 28 Mar 2017 12:45 AM EDT
Disseminated 28 Mar 2017 12:45 AM EDT

J.P.Morgan

North America Equity Research
28 March 2017

General Electric Co.

GE Cash Series: "Perspective" Is for Earnings, Cash Is a Fact; Day One, Working Capital

Underweight

GE, GE US

Price: $29.44

▼ **Price Target: $27.00**
Previous: $29.00

With the sell side bull thesis now shifting the focus away from the $2 2018 EPS target that has been the cornerstone of its call for >2 years now, implying that the only thing that matters is '17 profits, the engaged debate is seemingly appropriately now shifting toward FCF. **We believe that focusing on $2 is the wrong approach at this stage but also disagree that whatever the EPS number ends up being in '18 is relevant, with the true driver of value Industrial FCF/share that we see as ~$1.10** (we value GECS earnings separately so there is no need to adjust for related dividends). Here, we have encountered an emerging bull case on FCF/share that is overstated and not plausible, in our view. We present our detailed bottom-up cash flow model in this note, with further detailed analysis to follow. In today's note we start with Working Capital, where we see significantly less opportunity than the bull case appears to assume. We also cut our Dec'17 PT to $27 from $29 with this note, which implies a still premium ~4% FCF yield and solid 3.5% dividend yield.

Why focus on FCF? To start, in the past 15 years, the same amount of time some sell side bulls have been "buy" rated, GE Industrial GAAP EPS is up $0.24, a 2% CAGR, with non-GAAP (Street) EPS up $0.39, despite $0.25 benefits from a lower tax rate, $12B of restructuring ($0.80 per share that should be "cost out") just this cycle, $0.25 of LTSA gains, and $35 B more in sales (at a normal gross margin $0.65 worth of earnings), some of which has come on the back of $25B in net acquisition spending. This would suggest an element of structural decay, or core underlying profit leakage across the portfolio. All companies have some form of underlying core shrinkage though to see a difference that is almost 2x the starting point stands out. Over this time of underperformance, the constant has been a promise for an inflection or hockey stick to a breakout level, no different than what we see in today's consensus.

Electrical Equipment & Multi-Industry

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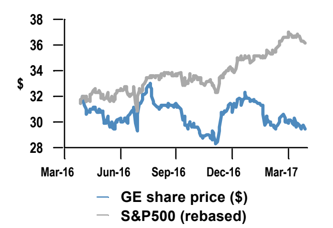
Price Performance



	YTD	1m	3m	12m
Abs	-6.8%	-1.7%	-7.7%	-6.5%
Rel	-11.4%	-0.5%	-10.9%	-21.5%

General Electric Co. (GE;GE US)

FYE Dec	2014A	2015A	2016A	2017E	2018E
EPS - Recurring ($)					
Q1 (Mar)	0.33	0.20	0.21	0.16	-
Q2 (Jun)	0.39	0.31	0.51	-	-
Q3 (Sep)	0.38	0.29	0.32	-	-
Q4 (Dec)	0.56	0.52	0.46	-	-
FY	1.65	1.31	1.49	1.60	1.80
Bloomberg EPS FY ($)	1.65	1.29	1.49	1.62	1.90

Source: Company data, Bloomberg, J.P. Morgan estimates.

Company Data	
Price ($)	29.44
Date Of Price	27 Mar 17
52-week Range ($)	33.00-28.19
Market Cap ($ mn)	268,787.20
Fiscal Year End	Dec
Shares O/S (mn)	9,130
Price Target ($)	27.00
Price Target End Date	31-Dec-17

See page 17 for analyst certification and important disclosures.

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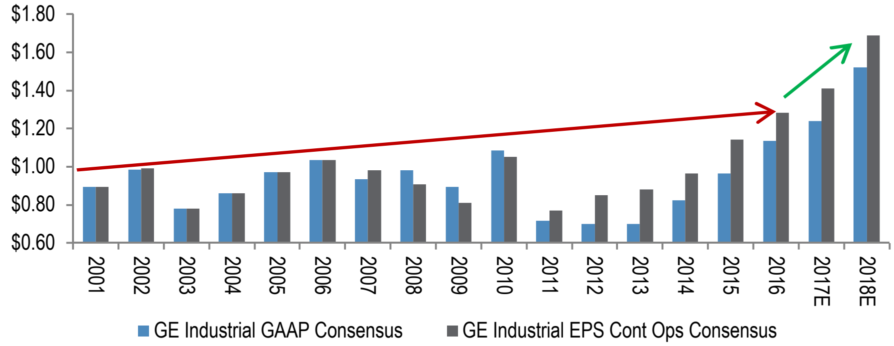
Figure 1: GE GAAP and non-GAAP EPS since 2001 (2017 and 2018 are consensus)



Source: Company reports, and Bloomberg.

Table 1: High-level EPS Bridge from 2001-2016

Starting 2001 GAAP Industrial EPS	**$0.89**
Restructuring Benefits (JPMe)	$0.80
Tax Benefits	$0.25
LTSA gains	$0.25
Volume/price/mix	$0.65
Total Implied 2016 GAAP EPS	**$2.84**
Actual 2016 GAAP Industrial EPS	**$1.14**
Difference	***($1.70)***

Source: J.P. Morgan Estimates. Note, there is no accurate restructuring data available prior to 2009 and also LTSA gains prior to 2006. While there has been a bunch of portfolio moves during this period including the sale of NBCU, we capture these changes in the volume/price/mix line-item.

With plenty of leeway in lower quality forms of earnings from accounting/geography (upside from GECS earnings, tax, and gains), we continue to believe that EPS is less relevant (i.e., whether it's $2 or $1.90 is less meaningful) and think the true driver of valuation here is FCF/share. FCF represents one of the few concrete numbers for which investors can hold management teams accountable, and it's the bar on which every one of the other companies in the EE/MI sector is judged. On this front, the $0.66 in GAAP FCF seen in 2016 is actually even worse than the EPS performance, down 50% from 2001 levels, and the 3rd worst level over that time period. Since the financial crisis in particular, Industrial FCF conversion has decoupled, and has been at an average of 20% short of consensus Industrial EPS.

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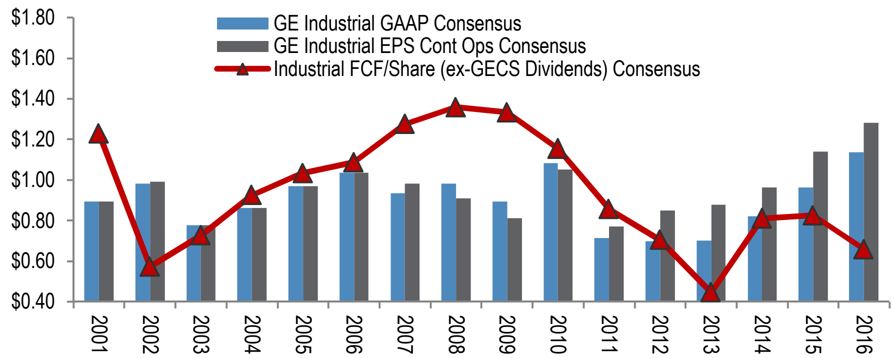
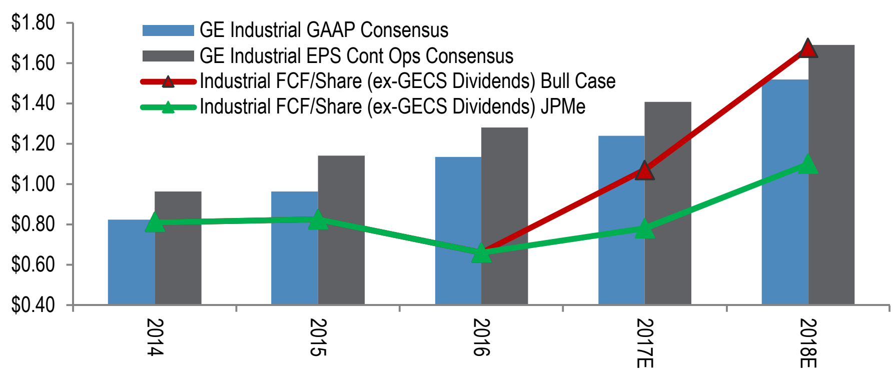
Figure 2: GE GAAP, non-GAAP EPS and Industrial FCF/Share since 2001



Source: Company reports, and Bloomberg. 2017, 2018 FCF expectations are as per management guidance on conversion + pension contributions on consensus EPS.

The bull case now is that not only can earnings inflect but cash will also ramp to a range of $1.74-2.10, a mid-point that is 3x standing levels, 2x higher than the average of the past 15 years, 40% higher than the prior high in 2009.

Figure 3: 2017 and 2018 Consensus Bull Case



Source: Company reports, and Bloomberg. 2017, 2018 FCF expectations are as per management guidance on conversion + pension contributions on consensus EPS.

To us, there is no such thing as “perspective” when it comes to cash—we believe the problem is that earnings have always been more of an opinion here, cash is a fact. We continue to believe that the sustainable base rate of 2018 GAAP FCF is around ~$1.10 and those recent bullish estimates are overstated, in our view. Over the next few weeks we plan to expand our analysis. Below we show how our estimate stacks up against the most recent bull case with our best case "long term" view that is $0.50 lower (we present a more detailed bottom up model at the end of the note).

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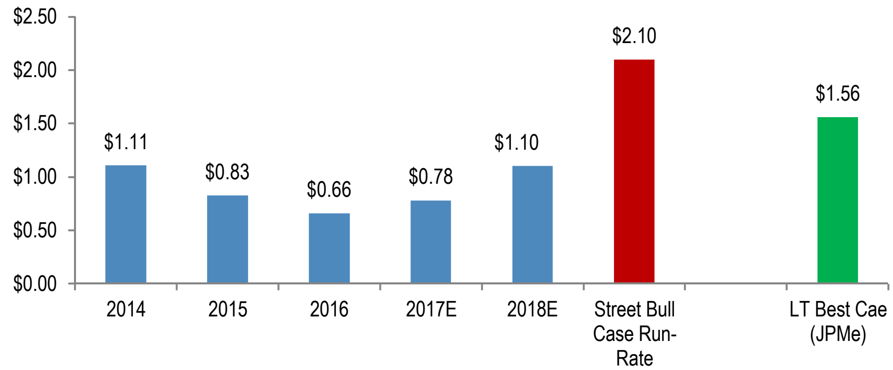
Figure 4: GE JPMe GAAP FCF/Share vs Bull Case Run-Rate and JPM Long-Term View



Source: Company reports, J.P. Morgan Estimates and Bloomberg.

Day 1: Working Capital Is Not An Outsized Opportunity and Is Not a 'Run-Rate' Benefit Once Optimized

The bull case starts with working capital and reflects the view that it's all about a temporary inventory build around LEAP/H-Frame, and then goes on to highlight anywhere from ~$3-5B of potential upside, simply using EE/MI peers as the benchmark. First, keep in mind that working capital performance in 2016 was not that bad, with $3.2B in working capital contribution to Industrial CFOA in 2016 (though roughly $1.8B came from progress collections, with the only drag indeed coming from inventories, a $1.4B headwind). GE expects a similar $3B contribution in 2017, with more of that coming from inventories, which we buy into somewhat, though this is not a silver bullet, as we discuss below. Indeed, inventories look like the only area here not already optimized (though some of this is structural, in our view, post ALO), as receivables have collapsed over the past 15 years (45 days, vs 90 at peers, helped by the large factoring program between GE Industrial and GE Capital) and payables (~90 days vs ~70 at peers) are already much better than peers. In general, we believe that using EE/MI peers as a benchmark is the wrong approach given the differences in the profile of the GE platforms, which are heavy on big projects/services/solutions versus the short cycle build and book business that is the norm for many others. While some benefits seem possible, we continue to point out that working capital benefits and their impact to cash flow provide just a temporary lift to conversion that ultimately fades to zero once optimized (i.e., one-time benefit to reported conversion, not ongoing). Our 2018 estimates assume ~$1B in incremental benefits vs 2018 (but $3B cumulative) vs the bull case of $5B, which is also assumed as a run-rate—a view we disagree with.

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Table 2: GE Cash flow Statement Working Capital Assumptions

$ millions

	2016	2017E	2018E	2018 vs 2016 (JPMe)	2018 vs 2016 (Bull Case)
Working Cap Generation (Usage)	**3,221**	**2,132**	**917**	**917**	**~5,000**
Change in current receivables	929	134	(895)		
Change in inventories	(1,337)	1,468	205		
Change in accounts payable	1,716	293	393		
Change in progress collections	1,913	236	1,215		
Ratios					
AR Turnover	8.2	9.0	9.4	+1.2x	+2.0x
Inventory Turnover	3.8	4.1	4.4	+0.6x	+0.9x

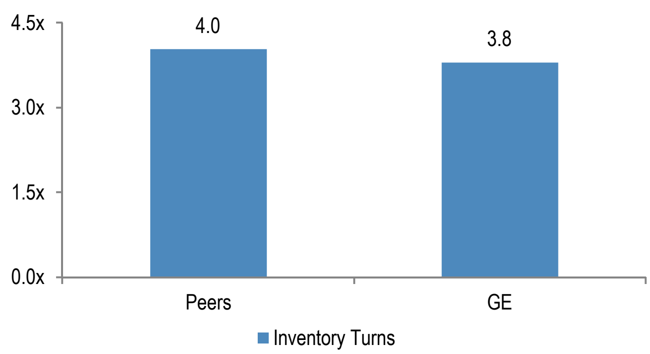
Source: Company reports and J.P. Morgan estimates.

In addition, while we address Alstom FCF in another note, we have noticed the bull case talking about total GE working capital, highlighting $1.2 B in opportunity from Power and then Alstom as separate sources of upside on cash ($1.2-1.3 B), though we note that the $1.2 B highlighted at Power obviously includes Alstom so there may be some double counting here. Using the ALO balance sheet shows that trade (Receivables + inventory - payables) working capital is ~50% of sales there vs ~12.5% at GE, suggesting a significant portion of the opportunity comes here. We walk through the individual WC bucket opportunities for overall GE Industrial below:

Inventory opportunity is there, but nowhere near as much as the bull case reflects, in our view: Starting at a high level, inventory turns last year were 3.8x vs peers at 4x, showing some improvement potential, but the $2-3B they've discussed taking out of the system moves them back to or slightly better than peer levels (4-4.2x).

Figure 5: GE Inventory Turnover vs Peers (2016)

COGS divided by average inventories



Source: Company reports, and Bloomberg. Note: Peers include Siemens, Mitsubishi Heavy, NOV, HAL, SLB, Rolls Royce, MTU Aero Engines, UTX, Philips, and CAT.

We acknowledge that GE has operated at a more optimized level in the past (~1.5-2x), but note that some of this is structural with more Power

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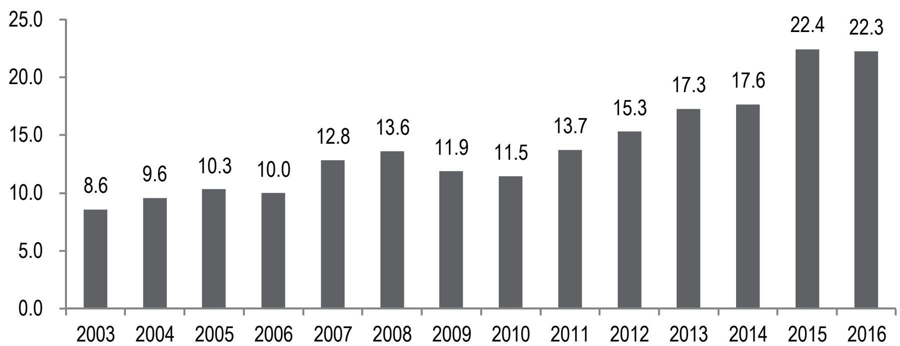
businesses in the portfolio. On this front, the bull case appears to be making a pitch that headline inventories being up ~$4.5-5B from year end '14-'16 is a temporary bump to support LEAP and H-Frame introductions, which will unwind as deliveries continue. We disagree. **<u>The disclosures in the 10K show the ENTIRE change in inventory is due to Alstom</u>.** ALO stands at 2.2x inventory turns currently and there is debate around how much cash can actually come out of anything Alstom related, a topic we will address later, though counting on a big drawdown here as a source of cash outside of ALO while counting on ALO improved FCF as a discrete item in any bridge is double counting. The bottom line is that legacy GE (ex-ALO) inventories are flat from 2014 levels and not too depressed from a turnover perspective. All of this said, we still give credit (~$2B of cumulative release) for further improvement in our long assumptions.

Figure 6: Overall GE Inventory Levels Have Increased Over the Last 2 years…

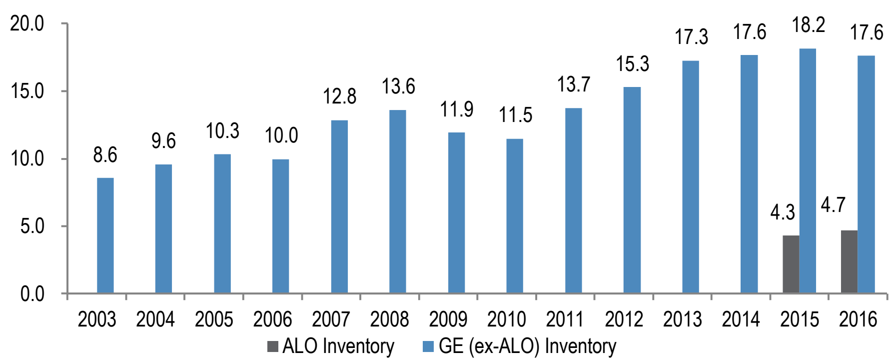
$B



Source: Company Reports

Figure 7: ...But Haven't Gone up ex-ALO from 2014 levels and since H and LEAP started shipping

$B



Source: Company Reports

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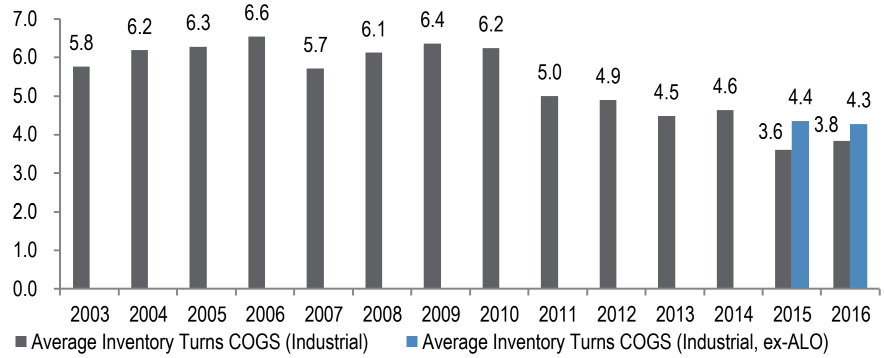
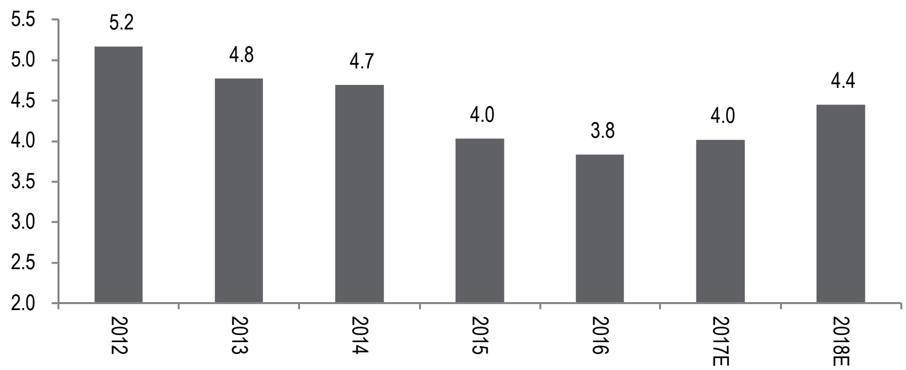
Figure 8: GE Inventory Turnover ex-ALO



Source: Company reports

Figure 9: JPM GE Inventory Turnover Assumptions

COGS divided by average inventories



Source: Company reports

We note that Power, which was highlighted as such as big driver of inventory improvement, a per recent management commentary, is expected to account for only $300 mm of inventory upside in ‘17/’18, not in and of itself a big number at a little over 1% of segment sales, and suggests that out of the $2 B we give credit for the majority needs to come from other businesses. As per the below, we don’t see tangible opportunity on receivables or payables unless we are talking about Alstom, which, again, is a discrete driver in most models (i.e., Power working capital opportunity in the bull thesis may be double counting).

Receivables: dramatic collapse in book receivables from factoring shows zero opportunity here. The analysis here is more simple. Industrial receivables stand at $13B, or ~11% of sales versus our sector at ~18-20% of sales. This number has moved down dramatically over the years as factoring into GECS has picked up, showing that on a strict definition of just Industrial FCF in line with others, GE is actually “overearning” here to the cumulative tune of $12B, and, as per the below, by $2B alone last year.

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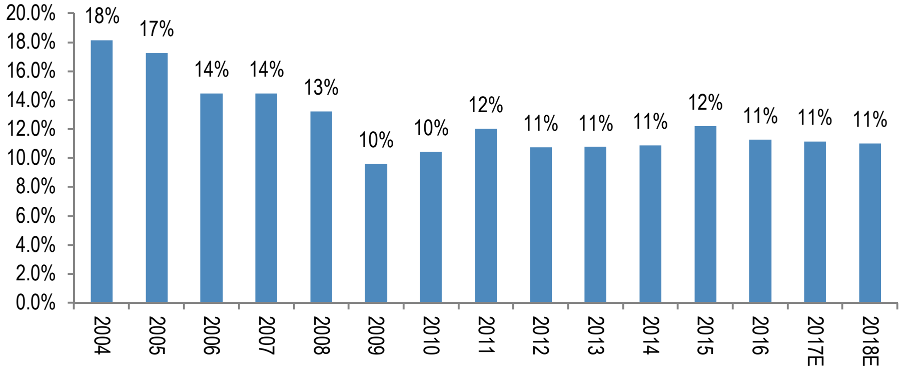
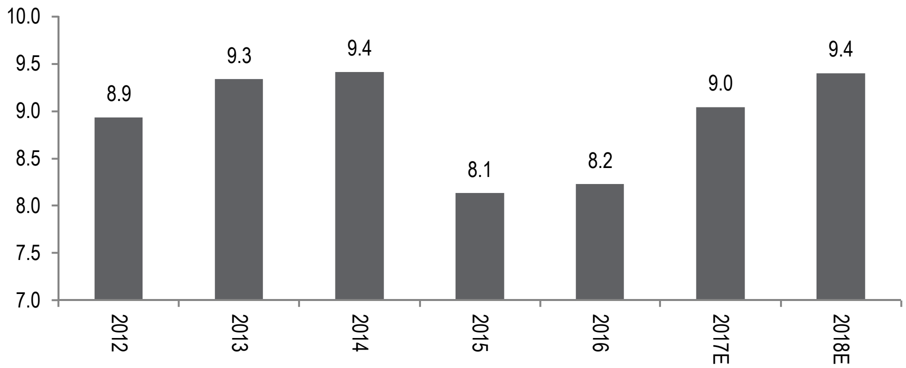
Figure 10: Industrial Receivable/Sales Already Optimized and Down Dramatically Over time



Source: Company reports and J.P. Morgan estimates. 2015 is adjusted for ALO

Figure 11: AR turnover ratio



Source: Company reports and J.P. Morgan estimates. 2015 is adjusted for ALO

More specifically, receivables factoring was a material benefit again in 2016, with a ~$2.1B benefit ($2.1B in 2015, $1.6B in 2015) from receivables sold to GE Capital, including current receivables subsequently sold to third parties. Factored receivables on the GE capital balance sheet stand at $12.3B vs $13B in 2015 (note 2015 included ~$0.7B related to Appliance), and we note that Power had the biggest increase in factored receivables, up ~$1.8 y/y, offset by declines at all other segments. Of the $12.3B factored on GECS, ~50% had been sold by GE to GE Capital with recourse. As per the filing, the evaluation of whether recourse transactions qualify for accounting de-recognition is based, in part, upon the legal jurisdiction of the sale and majority of recourse transactions outside the U.S. qualify for sale treatment. Lastly, as part of the receivables factoring program between GE Industrial and GE Capital, GE Capital entered into a new $3B receivables facility with members of a bank group, designed to provide extra liquidity to GE. The facility allows them to sell eligible current receivables on a non-recourse basis for cash and a deferred purchase price to members of the bank group. This allowed the deconsolidation of $2.1B of financing receivables from the GE Capital balance sheet, though the economic exposure remained the same before and after the refinancing transaction.

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Table 3: Reported GE Industrial and Consolidated Receivables

$million	2014 (Ind.)	2015 (Ind.)	2016 (Ind.)	2014 (Cons.)	2015 (Cons.)	2016 (Cons.)
Power	2,149	4,377	3,632	4,071	6,675	7,688
Renewable Energy	616	1,418	1,293	895	2,336	1,903
Oil & Gas	3,233	2,764	2,478	5,793	4,958	4,259
Energy Connection + Lighting	945	2,174	1,675	3,121	4,432	2,716
Aviation	1,997	1,876	1,731	4,656	4,133	3,542
Healthcare	2,241	1,943	2,068	4,350	4,022	3,996
Transportation	351	193	186	454	609	377
Corporate	466	464	499	391	372	454
Gross	**11,998**	**15,209**	**13,562**	**23,732**	**27,538**	**24,935**
Less Allowance for Losses	(485)	(502)	(847)	(495)	(515)	(858)
Total	**11,513**	**14,707**	**12,715**	**23,237**	**27,022**	**24,077**
% allowance	**-4.0%**	**-3.3%**	**-6.2%**	**-2.1%**	**-1.9%**	**-3.4%**

Difference	**2014**	**2015**	**2016**
Gross	11,734	12,329	11,373
Less Allowance for Losses	(10)	(13)	(11)
Total	**11,724**	**12,315**	**11,362**
Factored (per 10-k Filing)	**12,533**	**13,042**	**12,300**
Diff (Total – Factored)	809	727	938

Source: Company Filings, J.P. Morgan Estimates.

Adding the GE Capital factored amount back gets us to ~20% of sales (using pro-forma for ALO), more in line with peers. In addition, GE Capital financing receivables and GE Industrial receivables have always had different levels of allowances, with GE Capital significantly lower, as GE only factors the high quality receivables to GE Capital. With better visibility now that most of the receivables have been removed, we see allowances for factored receivables are significantly lower at essentially no reserve (0.1%), versus a ~4% reserve for GE Industrial receivables. Putting these together, the consolidated number is more in-line with peers showing that on a total company basis the exposure is normal but the benefit to GE Industrial FCF has been pulled forward.

Table 4: GE Receivables/Sales vs Peers and EE-MI Group

		2010	2011	2012	2013	2014	2015	2016	Average
Average- EEMI	Receivables/sales	17.0%	16.7%	17.6%	17.4%	17.1%	17.2%	18.3%	**17.1%**
	% allowance	-3.0%	-2.6%	-2.6%	-2.5%	-2.5%	-2.6%	-2.5%	**-2.8%**
Average- Industrial Peers	Receivables/sales	19.6%	18.6%	19.4%	19.0%	18.7%	18.9%	20.1%	**18.9%**
	% allowance	-2.3%	-2.1%	-2.2%	-2.1%	-2.1%	-2.2%	-2.1%	**-2.2%**
GE Industrial	Receivables/sales	10.4%	12.0%	9.2%	10.8%	10.9%	12.2%	11.3%	**11.1%**
	% allowance	-3.9%	-3.6%	-4.7%	-3.9%	-4.0%	-3.3%	-6.2%	**-4.3%**
GE Consolidated	Receivables/sales	18.7%	20.8%	19.6%	21.0%	22.0%	22.4%	21.3%	**20.1%**
	% allowance	-2.2%	-2.2%	-2.3%	-2.0%	-2.1%	-1.9%	-3.4%	**-2.5%**

Source: Company Filings. Industrial Peers include our large cap universe, CAT, TXT, DE, ABT, COL, Siemens, Alstom, FTI, HAL, SLB, HOLX, VAR, BDX, JNJ and MDT. 2015 GE adjusted for ALO

We think the appliance sale throws light on the magnitude of benefit GE has had on its industrial FCF over time. Disclosures in the 10-q filings showed ~$773mm in Appliance receivables were factored at GE capital at

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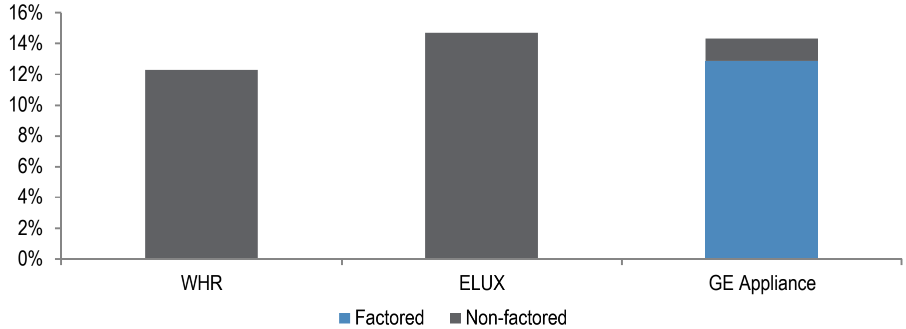
the end of 2Q in addition to the ~$86mm that were on the industrial balance sheet. The consolidated number here of ~$860mm equates to ~15% of sales, which is line with major peers like WHR and ELUX that do not factor receivables to this extent.

Figure 12: Appliance Factored vs Non-factored Receivables and vs Peers

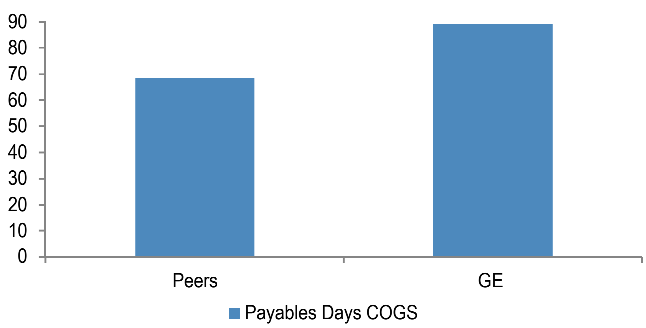


Source: Company reports and J.P. Morgan estimates.

Payables: We see limited opportunity here given average payable days is already at 90 days vs 70 at peers and we believe given GE's global breadth and depth, it likely already uses this position to manage its supplier base. We model modest benefits of ~$0.2-0.3B/yr here in our LT assumptions.

Figure 13: GE Payable Days COGS vs Peers

Average Payables divided by Purchases (COGS, plus change in inventories)



Source: Company reports, and Bloomberg. Note: Peers include Siemens, Mitsubishi Heavy, NOV, HAL, SLB, Rolls Royce, MTU Aero Engines, Safran, UTX, Philips, and CAT.

Progress Collections: This is a function of equipment order growth and type of projects within and is basically defined as cash collected in between equipment ordered to delivery. This account has increased dramatically as a % of sales over the last 15 years driven by a dramatic growth in equipment backlog as a % of overall sales primarily due to long-cycle Oil & Gas orders as well as other long-cycle equipment such as Aviation engines and Gas Turbines. Going forward we don't expect this to change dramatically given sluggish end markets overall (slower Power and Renewables offset by better Oil & Gas, steady Aviation and Healthcare markets).

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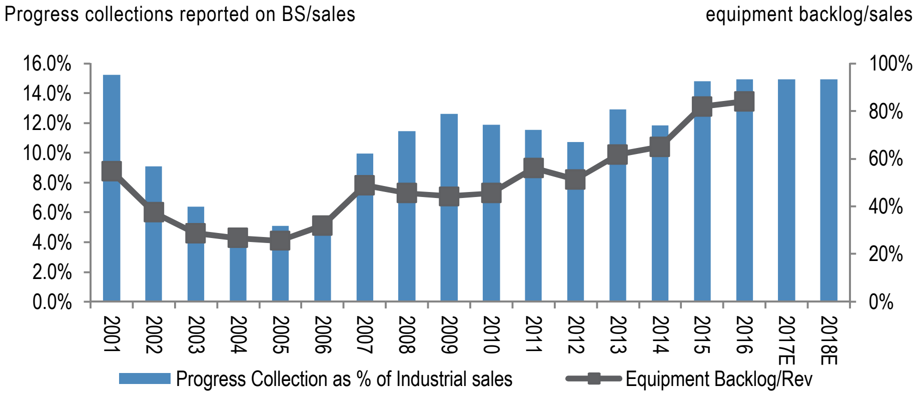
Figure 14: Progress Collection vs Equipment Backlog



Source: J.P. Morgan Estimates, Company Reports

The JPM FCF Model

Below we summarize our FCF model. We detail how we get to $1.10 and then our bridge to a longer-term best case target, which assumes ~$4-4.5 B in cumulative working capital benefits from 2016-2020, ~$3B of which come in 2017+2018. Also key is our assumption around "other operating cash flow", which we expect to moderate from a $7.5B drag in 2016 to ~$2.5B, driven primarily by lower add-backs from asset sale gains, which were ~$3.75B in 2016 and lower LT-incentive comp payments vs 2016 levels, offset to some extent by lower restructuring add-backs.

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J.P.Morgan

Table 5: GE Cash Flow Statement and Forecasts (2019 and 2020 are base case assumptions)

$ millions

	2014	2015	2016	2017E	2018E
GE Ind EPS Non-GAAP	$0.96	$1.14	$1.28	$1.39	$1.59
GE Capital EPS Non-GAAP	$0.69	$0.17	$0.21	$0.21	$0.21
GE EPS Consolidated non-GAAP	**$1.65**	**$1.31**	**$1.49**	**$1.60**	**$1.80**
GE Ind EPS GAAP	*$0.82*	*$0.96*	*$1.14*	*$1.22*	*$1.42*
GE Capital EPS GAAP	$0.68	-$1.58	-$0.24	$0.14	$0.15
GE EPS Consolidated GAAP	**$1.51**	**-$0.61**	**$0.90**	**$1.36**	**$1.57**
Net income GAAP	15,233	(6,145)	8,176	11,783	13,220
Depreciation & Amortization	2,508	2,473	2,597	3,300	3,800
Earnings retained by GECS	1,625	12,284	21,345	5,800	1,700
Deferred income taxes	(476)	(1,800)	1,107	0	0
Other Operating Cash Flow	2,973	2,083	(7,438)	(5,241)	(3,629)
OPCF before working cap	**21,863**	**8,895**	**25,787**	**15,642**	**15,092**
Working Capital Generation (Usage)	**(994)**	**(350)**	**3,221**	**2,132**	**917**
Change in current receivables	*(473)*	*666*	*929*	*134*	*(895)*
Change in inventories	*(877)*	*(282)*	*(1,337)*	*1,468*	*205*
Change in accounts payable	*884*	*276*	*1,716*	*293*	*393*
Change in progress collections	*(528)*	*(1,010)*	*1,913*	*236*	*1,215*
Other (including discops)	(5,700)	7,797	862	0	0
Net cash from Operations	**15,169**	**16,342**	**29,870**	**17,774**	**16,009**
GE Capital Dividend		4,300	20,095	7,000	3,000
Industrial CFOA	**12,171**	**12,054**	**9,775**	**10,774**	**13,009**

Source: Company reports and J.P. Morgan estimates.

Table 6: Breakdown of "Other Operating Cash Flow"

$ millions

	2014	2015	2016	2017E	2018E
Other Operating Cash Flow	**2,973**	**2,083**	**(7,438)**	**(5,241)**	**(3,629)**
Gains/losses	*(188)*	*(1,020)*	*(3,701)*	*(2,500)*	*(438)*
Contract Assets	*(1,572)*	*(1,919)*	*(3,929)*	*(3,500)*	*(3,500)*
Income Taxes	*773*	*1,671*	*(2,752)*	*0*	*0*
Interest Charges	*332*	*380*	*275*	*275*	*275*
Principal Pension Plans (cost + add-backs)	*3,368*	*4,265*	*3,071*	*1,600*	*1,700*
Other	*260*	*(1,294)*	*(402)*	*(1,116)*	*(1,666)*
Additional Amortization (JPMe)	*1,301*	*1,442*	*1,724*	*1,724*	*1,724*
Other Pension add-backs/contributions (JPMe)	*201*	*(653)*	*(711)*	*(990)*	*(990)*
Restructuring add back (JPMe)	*1200*	*1300*	*2,600*	*900*	*100*
Other (JPMe)	*(2,442)*	*(3,383)*	*(4,015)*	*(2,750)*	*(2,500)*

Source: Company reports and J.P. Morgan estimates.

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Table 7: Walk Through Different Definitions of FCF and Related Conversion on Reported and Industrial EPS

$ millions

	2014	2015	2016	2017E	2018E
GAAP FCF					
Industrial CFOA	12,171	12,054	9,775	10,774	13,009
Gross Capex	(3,970)	(3,785)	(3,758)	(4,000)	(3,750)
Ind FCF GAAP	**8,201**	**8,269**	**6,017**	**6,774**	**9,259**
GE Capital Dividends (Ex-divestitures)	**3,000**	**0**	**0**	**0**	**0**
Industrial FCF/Share	***$0.81***	***$0.83***	***$0.66***	***$0.78***	***$1.10***
Total FCF/Share	***$1.11***	***$0.83***	***$0.66***	***$0.78***	***$1.10***
Industrial Conversion	*84%*	*72%*	*51%*	*56%*	*69%*
Total Conversion	*67%*	*63%*	*44%*	*49%*	*61%*
Walk from GAAP FCF to GE Definition					
(+) Dispositions	615	939	1,080	700	700
(+) Deal Taxes add-back	0	(184)	(1,398)	0	0
(+) GE Pension Contributions add-back	0	0	(347)	(1,700)	(1,600)
Ind FCF GE Definition	**8,816**	**9,392**	**8,842**	**9,174**	**11,559**
Industrial FCF/Share	***$0.87***	***$0.94***	***$0.97***	***$1.06***	***$1.37***
Total FCF/Share	***$1.17***	***$0.94***	***$0.97***	***$1.06***	***$1.37***
Industrial Conversion	*90%*	*82%*	*75%*	*76%*	*86%*
Total Conversion	*71%*	*72%*	*65%*	*66%*	*76%*
Walk from GAAP FCF to JPM Definition					
(+) Dispositions	615	939	1,080	700	700
(+) Deal Taxes add-back	0	(184)	(1,398)	0	0
(-) Other investing Activities/other	(1,060)	(1,296)	(2,302)	(1,500)	(1,500)
Ind FCF JPM Definition	**7,756**	**8,096**	**6,193**	**5,974**	**8,459**
Industrial FCF/Share	***$0.77***	***$0.81***	***$0.68***	***$0.69***	***$1.01***
Total FCF/Share	***$1.06***	***$0.81***	***$0.68***	***$0.69***	***$1.01***
Industrial Conversion	*80%*	*71%*	*53%*	*50%*	*63%*
Total Conversion	*64%*	*62%*	*46%*	*43%*	*56%*
Dividends to shareholders	(8,851)	(9,289)	(8,474)	(8,325)	(8,071)
FCF after Dividends (JPM Definition)	**1,905**	**(1,193)**	**(2,281)**	**(2,351)**	**388**

Source: Company reports and J.P. Morgan estimates.

Trying to look at a more favorable scenario where things get better beyond 2018, we see a longer-term end of decade best case of ~$1.55 in GAAP FCF/share. From the bridge to our LT view vs 2018 levels, the key aspects to keep in mind are lower drag from other operating activities (less asset sales gains), continued working capital benefits albeit much lower than prior years at ~$0.5B /year, and GE capital dividends (~$1B/y run-rate).

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Table 8: High Level 2018-2020 FCF/Share Bridge

GE 2018 FCF	**$1.10**
Working Capital	$0.07
GE Capital	$0.13
Other Operating Activities	$0.05
Core Growth (Base Case)	$0.20+
Total LT Base case	**$1.56**

Source: Company reports and J.P. Morgan estimates.

Note that, while we include ~$1B in annual dividends from GE capital we value the asset separately when deriving our price target so what counts is Industrial FCF, and the '18 base of $1.10 is the number that counts for now, which would ultimately translate to $1.43 in the long-term best case.

Cutting Dec'17 PT to $27 from $29. With our view on FCF more refined, we commensurately cut our Dec-17 PT with this note to $27, which implies a still expensive ~24x P/FCF or 4% FCF yield, but a solid ~3.5% dividend yield. Our PT is based on a SoTP approach, applying a ~16.2x multiple to the Industrial businesses (15% discount to group given weak FCF) and $1 value to GE cap based on ~$10B in pro forma tangible equity assumptions for left over GE capital (click here for our detailed calc on GE capital valuation).

Table 9: Our Standing GE Price Target Derivation

	'18 EPS	P/E Multiple	Per Share
Industrial EPS	1.59	16.2	25.7
	Tang BV/Sh	**Multiple**	**Per Share**
GE Capital Implied	1.67	0.7	1.2
Price Target			**$27**
Current Price			**$29**
Upside/Downside			*-7%*
Group Average			***+5%***

Source: J.P. Morgan estimates.

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Investment Thesis, Valuation and Risks

General Electric Co. *(Underweight; Price Target: $27.00)*

Investment Thesis

GE has transformed significantly, with dramatic portfolio change on the GECS side, the largest deal in its history with Alstom, various financial frameworks, an activist, IOT emphasis, and the first year of stock outperformance in 2015 since 1999. By and large, while EPS dilutive, the moves have been positive when considering future positioning, and there certainly seems to be something "different" here. However, by the numbers, what we have seen is core operating performance that is below plan, and, currently, a consensus expectations curve that we think remains too high, FCF that is the weakest in the sector, and, with that backdrop, valuation that we see as expensive, with limited incremental catalysts to change the narrative. We stick to what the numbers say, which underpins our UW rating.

Valuation

Maintain Underweight rating; cut Dec 2017 PT to $27 from $29. On our 2018 EPS estimate, GE shares now trade at ~16.5x, a ~10% discount to peers. Our Dec 2017 price target of $27 is based a SoTP approach, and equates to ~15.2x our 2018E EPS, applying a 20% discount to the group target of 19x for FY2. Our group target multiple of 19x is at a ~5-10% premium to the standing S&P FY2 multiple, in line with its historical premium.

Risks to Rating and Price Target

Upside risks include 1) significant improvement in FCF generation, 2) stronger than expected uptick in Digital revenues, which also helps profitability, 3) fundamentals in Oil & Gas recovering faster than expected, and 4) better than expected execution on product transition in Aviation.

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General Electric Co.: Summary of Financials

Income Statement - Annual	FY15A	FY16A	FY17E	FY18E	FY19E
Revenue	**117,386**	**123,693**	**125,370**	**133,509**	**-**
COGS	-	-	-	-	-
Gross profit	**-**	**-**	**-**	**-**	**-**
SG&A	-	-	-	-	-
Adj. EBITDA	**21,261**	**21,413**	**23,509**	**25,441**	**-**
D&A	(2,473)	(2,597)	(3,300)	(3,800)	-
Adj. EBIT	**14,524**	**15,264**	**16,440**	**17,910**	**-**
Net Interest	(1,706)	(2,026)	(2,200)	(2,250)	-
Adj. PBT	**12,818**	**13,238**	**14,240**	**15,660**	**-**
Tax	(1,507)	(967)	(1,807)	(1,940)	-
Minority Interest	-	-	-	-	-
Adj. Net Income	**13,108**	**13,605**	**13,908**	**15,170**	**-**
Reported EPS	1.13	1.34	1.43	1.63	-
Adj. EPS	**1.31**	**1.49**	**1.60**	**1.80**	**-**
DPS	**0.93**	**0.93**		**-**	**-**
Payout ratio	82.1%	69.1%	-	-	-
Shares outstanding	10,016	9,130	8,672	8,408	-

Income Statement - Quarterly	1Q17E	2Q17E	3Q17E	4Q17E
Revenue	**26,558**	**-**	**-**	**-**
COGS	-	-	-	-
Gross profit	**-**	**-**	**-**	**-**
SG&A	-	-	-	-
Adj. EBITDA	**2,502**	**-**	**-**	**-**
D&A	(740)	-	-	-
Adj. EBIT	**1,762**	**-**	**-**	**-**
Net Interest	(535)	-	-	-
Adj. PBT	**1,227**	**-**	**-**	**-**
Tax	(144)	-	-	-
Minority Interest	-	-	-	-
Adj. Net Income	**1,451**	**-**	**-**	**-**
Reported EPS	0.12	-	-	-
Adj. EPS	**0.16**	**-**	**-**	**-**
DPS	**-**	**-**	**-**	**-**
Payout ratio	-	-	-	-
Shares outstanding	8,813	-	-	-

Balance Sheet & Cash Flow Statement	FY15A	FY16A	FY17E	FY18E	FY19E
Cash and cash equivalents	10,372	10,525	3,878	2,869	-
Accounts receivable	14,707	12,715	12,581	13,476	-
Inventories	22,449	22,263	20,795	20,590	-
Other current assets	0	0	0	0	-
Current assets	**47,679**	**45,640**	**37,390**	**37,072**	**-**
PP&E	20,145	19,103	18,703	18,203	-
LT investments	-	-	-	-	-
Other non current assets	255,739	213,131	218,887	221,065	-
Total assets	**323,563**	**277,874**	**274,980**	**276,340**	**-**
Short term borrowings	19,799	20,482	20,482	20,482	-
Payables	19,250	20,876	21,387	22,909	-
Other short term liabilities	41,538	36,509	35,245	34,435	-
Current liabilities	**80,587**	**77,867**	**77,114**	**77,826**	**-**
Long-term debt	83,770	58,810	66,210	68,210	-
Other long term liabilities	59,554	63,992	63,992	63,992	-
Total liabilities	**223,911**	**200,669**	**207,316**	**210,027**	**-**
Shareholders' equity	98,274	75,828	66,286	64,935	-
Minority interests	1,378	1,378	1,378	1,378	-
Total liabilities & equity	**323,563**	**277,874**	**274,980**	**276,340**	**-**
BVPS	**9.81**	**8.31**		**-**	**-**
y/y Growth	*(22.5%)*	*(15.4%)*	-	-	-
Net debt/(cash)	93,197	68,767	82,814	85,823	-
Cash flow from operating activities	**16,342**	**29,870**	**17,993**	**16,363**	**-**
o/w Depreciation & amortization	2,473	2,597	3,300	3,800	-
o/w Changes in working capital	(350)	3,221	2,350	1,521	-
Cash flow from investing activities	**(12,767)**	**(1,894)**	**(10,715)**	**(4,800)**	**-**
o/w Capital expenditure	(3,785)	(3,758)	(4,200)	(4,000)	-
as % of sales	*3.2%*	*3.0%*	*3.4%*	*3.0%*	-
Cash flow from financing activities	**(8,211)**	**(27,430)**	**(13,925)**	**(12,571)**	**-**
o/w Dividends paid	(9,289)	(8,474)	(8,325)	(8,071)	-
o/w Net debt issued/(repaid)	1,973	2,746	7,400	2,000	-
Net change in cash	**(5,544)**	**153**	**(6,647)**	**(1,009)**	**-**
Free cashflow	**12,557**	**26,112**	**13,793**	**12,363**	**-**
y/y Growth	*12.1%*	*107.9%*	*(47.2%)*	*(10.4%)*	-

Ratio Analysis	FY15A	FY16A	FY17E	FY18E	FY19E
Gross margin	-	-	-	-	-
EBITDA margin	18.1%	17.3%	18.8%	19.1%	-
EBIT margin	12.4%	12.3%	13.1%	13.4%	-
Net profit margin	11.2%	11.0%	11.1%	11.4%	-
ROE	11.6%	15.6%	19.6%	23.1%	-
ROA	4.6%	4.5%	5.0%	5.5%	-
ROCE	7.4%	7.9%	9.3%	10.2%	-
SG&A/Sales	-	-	-	-	-
Net debt/equity	93.5%	89.1%	122.4%	129.4%	-
P/E (x)	22.5	19.8	18.4	16.3	-
P/BV (x)	3.0	3.5	-	-	-
EV/EBITDA (x)	17.9	16.6	15.7	14.6	-
Dividend Yield	3.2%	3.2%	-	-	-
Sales/Assets (x)	0.4	0.4	0.5	0.5	-
Interest cover (x)	12.5	10.6	10.7	11.3	-
Operating leverage	103.5%	94.8%	568.3%	137.7%	-
Revenue y/y Growth	(21.0%)	5.4%	1.4%	6.5%	-
EBITDA y/y Growth	(8.3%)	0.7%	9.8%	8.2%	-
Tax rate	11.8%	7.3%	12.7%	12.4%	-
Adj. Net Income y/y Growth	(21.6%)	3.8%	2.2%	9.1%	-
EPS y/y Growth	(20.8%)	13.9%	7.6%	12.5%	-
DPS y/y Growth	6.1%	0.1%	-	-	-

Source: Company reports and J.P. Morgan estimates.
Note: $ in millions (except per-share data).Fiscal year ends Dec. o/w - out of which

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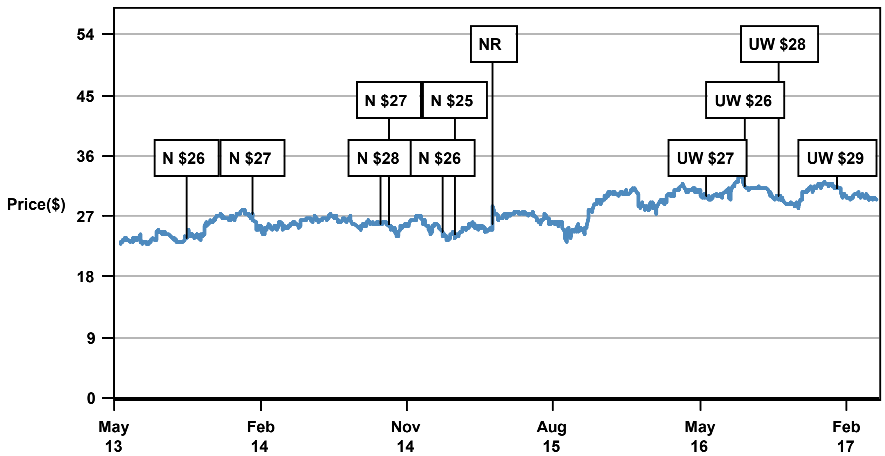
General Electric Co. (GE, GE US) Price Chart



Date	Rating	Share Price ($)	Price Target ($)
11-Sep-13	N	23.87	26.00
16-Jan-14	N	27.34	27.00
11-Sep-14	N	26.02	28.00
24-Sep-14	N	26.02	27.00
05-Jan-15	N	24.60	26.00
26-Jan-15	N	24.48	25.00
10-Apr-15	NR	25.73	--
12-May-16	UW	30.09	27.00
25-Jul-16	UW	31.64	26.00
23-Sep-16	UW	30.04	28.00
13-Jan-17	UW	31.36	29.00

Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.
Break in coverage Apr 10, 2015 - May 12, 2016.

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